

Community *Liaison*

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A Big Step Forward for A Small Chicago Mutual

Universal Federal Savings Bank is a \$45 million thrift operating in Chicago, Illinois.

Located on Chicago's southwest side for more than 75 years, this mutually owned, responsive community savings bank is committed to serving the Pilsen area and its surrounding neighborhoods by providing needed deposit, residential credit and related financial services. It even has a drive-up ATM. They also have employees fluent in Spanish and Lithuanian, allowing them to serve a more diverse community of people. This may all seem normal to most of us, but two years ago, the institution only made 80% LTV mortgages, did not offer checking accounts, and did not have bi-lingual employees.

This small Chicago thrift has been on a tear to become a more effective and competitive institution through carefully thought out, controlled growth. "We are pleased to be recognized for our involvement in bringing a wider variety of loan programs and financial services to our community," said Maureen Navarro, President and CEO of Universal. "We know this task requires a variety of specialized resources, and we are pleased to be able to work cooperatively with others who share

our commitment to Pilsen and nearby neighborhoods."

The thrift recently received an Affordable Housing Program (AHP) award from the Federal Home Loan Bank of Chicago (FHLB) to provide down payment and closing cost assistance to purchasers of new homes in the neighborhoods of Pilsen and Little Village. The award is the result of a joint application by Universal and The Resurrection Project (TRP), a nationally recognized Chicago-based community development organization. The new homes being built in the two — predominantly Hispanic neighborhoods are part of a 33-home project by TRP called Boulevard Homes, consisting of single-family and two-flat units. One of the key ingredients to the success of this partnership, as stated by TRP, was the fact that the institution was a small, community-based "mutual" thrift, owned by its depositors. This represented the type of institution that TRP wanted to work with. Eleven of these homes will be financed by Universal and will target people at or below 60% of median income. This is the first activity of this type for Universal and one of many new steps forward for the institution.

Universal Federal also recently partnered with TRP to develop an Individual Development Account (IDA) program. OTS Community Affairs staff of the Central Region met with officers and a director of Universal Federal Savings at their request to provide technical assistance relating to their interest in becoming actively involved in an IDA program. Community Affairs (CA) staff addressed many technical and regulatory questions relating to IDAs that were posed by Universal personnel. In addition, CA staff outlined the role of financial institutions, community groups and others in a successful IDA program. The characteristics that a financial institution should seek in a community group IDA partner were also discussed.

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Then CA staff hosted a meeting with representatives of TRP and Universal Federal Savings. The purpose of the meeting was to explore the mechanics and merits of the organizations' forming a partnership to establish an IDA program in the targeted Chicago neighborhoods. TRP's service area and Universal's assessment area are essentially the same. Each of the organizations outlined its objectives relative to an IDA program and the qualities it sought in a partner. Both organizations are committed to the IDA concept and were intent on actively participating in an IDA program. Two months later, a partnership was formed between Universal Federal Savings Bank and TRP that provides both Individual Savings Development Account management by TRP and "match funds" from the thrift. Since TRP will be managing the IDA program, Universal even sponsored the attendance of TRP staff at an IDA Learning Conference out of state, where they could become educated in how a successful program is run. TRP indicated that participating in this event afforded them a wonderful opportunity to learn and network with those who currently have programs in place. Moreover, it gave them the chance to witness first-hand the impact that IDA's have had on people's lives.

Well, this aggressive small mutual was not done yet. Universal Federal was awarded \$23,500 under the Bank Enterprise Program by the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of the Treasury. The CDFI award was given in recognition of Universal's financial support of three local Community Development Financial Institutions: ACCION Chicago, the Neighborhood and Family Investment Fund, and First Bank of the Americas.

The bank also recently received a \$100,000 deposit from Fannie Mae to expand their local affordable housing opportunities. The Fannie Mae investment in Universal Federal Savings Bank was offered as part of its efforts to enhance lending to underserved populations and communities. U.S. Representative Luis Guttierrez said, "I commend Universal Federal Savings Bank and Fannie Mae for their efforts to expand affordable housing opportunities in many of the immigrant communities throughout Chicago."

Richard McKinlay, Universal's Chairman, noted that both the Bank Enterprise Award and the Fannie Mae deposit reflect growing awareness of the local contributions of the bank. "Universal has become increasingly important as a

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resource for the special credit needs in Pilsen. We have been able to provide both affordable loans for first-time homebuyers and loans for those investing in the rehabilitation and redevelopment of the community. We welcome these funds to further our mission of providing needed capital to the local community” McKinlay said.

Universal continues to grow and prosper, and when asked, they will tell you that there is so much yet to do ■

This article was submitted by Claude Becker, OTS-Central Region. General questions may be referred to Claude at (312) 917-5022.

Birmingham Lenders Launch The “Lenders Affordable Mortgage Program” Loan Consortium

Lenders in Birmingham, Alabama have combined to create the *Lenders Affordable Mortgage Program (LAMP)*, a consortium providing affordable 2nd mortgage loans to low and moderate-income residents of targeted communities in Birmingham. Recently, *The Community Liaison* spoke with Martha Walters-Pierce, Vice President, New South Federal Savings Bank, about that institution’s participation in the consortium and *LAMP* benefits to financial institution participants and the Birmingham community. Here’s what Walters-Pierce had to say.

Liaison: What is LAMP?

Walters-Pierce: The Birmingham Lenders Affordable Mortgage Program, *LAMP*, is a consortium of local lenders providing financial assistance to Birmingham residents at or below 80% of area median income.

Liaison: What kind of financial assistance does LAMP provide?

Walters-Pierce: Ultimately, unlimited. Currently, 2nd mortgages to low- and moderate-income participants in the University of Alabama, Birmingham’s *Housing Plus Program*.

Liaison: What is the *Housing Plus Program*?

Walters-Pierce: Housing Plus is a special program of the University of Alabama, Birmingham’s Center for Urban Affairs. It provides housing and other assistance to targeted residents of the Titusville and West End communities of Birmingham. *Housing Plus* selected those communities because of their historical relationship to the University of Alabama. UA

Birmingham borders those communities.

Liaison: How was LAMP spawned?

Walters-Pierce: New South Federal worked with UA Birmingham on a grant application to the Fannie Mae Foundation on behalf of the *Housing Plus Program*. The application indicated a loan consortium component. [Walters-Pierce] was loaned to UA Birmingham to work on the application. Ultimately, *Housing Plus* received a \$700,000 grant from the Fannie Mae Foundation to provide housing counseling, public education for housing, home construction, job training and a business incubator benefiting the Titusville and West End communities.

Liaison: What other lenders are involved in the LAMP consortium?

Walters-Pierce: Beyond New South Federal, other area institutions include AmSouth Bank, Colonial Bank, Compass Bank, First Commercial Bank, National Bank of Commerce, Regions Bank and SouthTrust Bank.

Liaison: How does the program work?

Walters-Pierce: Once a borrower and property have been selected, if the borrower needs a 2nd mortgage, either due to lack of funds for down payment or for a reduction in the overall interest rate, the participating lender will set up a duplicate 1st mortgage package with 2nd mortgage terms.

Liaison: Who holds the 2nd mortgage?

Walters-Pierce: LAMP does. The 1st mortgage lender will underwrite, process and instruct on the 1st and 2nd mortgages. Funds will be requested directly from *LAMP* and sent directly to the closing attorney. After closing, the lender does any post closing clean up on the 1st and 2nd mortgages. No *LAMP* staff exists or is needed. That’s the beauty of it. Original *LAMP* documents are sent to a contracted custodian who holds the original mortgage documents, in this case, the *Housing Plus Program* and University Federal Credit Union - who holds the fund pool.

Liaison: *How are loans serviced?*

Walters-Pierce: Servicing on LAMP 2nd mortgages is contracted out. In the case of Housing Plus loans, servicing is contracted to *Housing Plus*.

Liaison: *How was LAMP's loan fund capitalized?*

Walters-Pierce: Each participating institution was asked to contribute based on its share of deposits in the Birmingham market. Some contributed more. The size of the average contribution was \$50,000 and resulted in a \$400,000 pool. An institution is able to use funds up to its percentage contribution to the loan fund pool.

Liaison: *Was it difficult to get lenders to participate?*

Walters-Pierce: Contribute, no. Participate, yes. It was difficult to get the lenders to show up for meetings and make decisions - to reach consensus on LAMP policies, procedures, loan terms, etc.

Liaison: *What are LAMP's loan terms?*

Walters-Pierce: A 5% interest rate, 20 year term and loan amounts up to 20% of the home purchase price. That avoids the cost of mortgage insurance and makes housing more affordable.

Liaison: *Is LAMP a no down payment program?*

Walters-Pierce: Not really. The 1st mortgage determines the necessity for down payment from the borrower's own funds.

Liaison: *How has LAMP been received by the community?*

Walters-Pierce: As a blessing. These loans will make or break some home purchases. There would be people who would not be able to buy a home without these funds.

Liaison: *Why is New South Federal involved in LAMP?*

Walters-Pierce: Because there is a need. Loan consortia are a wonderful way for banks and thrifts to do major

good in their communities by sharing assets and sharing risk.

Liaison: *You commented earlier on LAMP's unlimited potential to provide financial assistance. What initiatives does the consortium anticipate beyond the Housing Plus Program initiatives in Titusville and West End?*

Walters-Pierce: There are many opportunities for LAMP. There are many other communities with need in the Birmingham MSA and Jefferson County, including northern Birmingham.

Walters-Pierce added that the Birmingham MSA includes the four counties of Jefferson, Shelby, Blount and St. Clair in Alabama ■

For more information on LAMP, please contact Kim Lucas, OTS-Southeast Region, at (404) 888-8532.

Thrift Institutions Receive \$8.7 Million in Bank Enterprise Awards

In October, the Community Development Financial Institutions Fund announced the winners of the Bank Enterprise Awards (BEA) for 2000. The BEA program provides incentives for insured financial institutions to increase their lending, investment and provision of financial services in distressed communities throughout the country. Financial institutions earn cash awards based on a formula that considers the amount and type of qualifying activities and the size of the institution. This year, the CDFI Fund selected 159 insured depository institutions to receive \$46.4 million in awards. In that group are 24 thrift institutions earning awards of \$8.66 million dollars. Both the number of thrift winners and the amount of the awards doubled over 1999's awards.

All insured financial institutions, regardless of size or charter type, can take advantage of the BEA program. The 159 program awardees comprise a variety of institution types and sizes. All insured financial institution charter types are represented in the group of awardees. In addition, it is interesting to note that while the majority of winners were large institutions, a considerable number of small

institutions also received awards. Of the 159 winners, more than 35 report assets less than \$100 million.

Following is a brief summary of the thrift winners and the activities that earned them their awards:

American Savings Bank, FSB
Honolulu, HI
Assets: \$6 billion
Award: \$150,000

American Savings Bank, FSB increased its consumer, single-family mortgage, commercial real estate and business lending in economically distressed communities.

California Federal Bank
San Francisco, CA
Assets: \$60.4 billion
Award: \$1,099,868

California Federal Bank increased its lending to several CDFIs.

Capital One, FSB
Falls Church, VA
Assets: \$2.9 billion
Award: \$11,000

Capital One made a deposit in CityFirst Bank of Washington, DC. CityFirst is a CDFI.

Charter One, FSB
Cleveland, OH
Assets: \$32.2 billion
Award: \$110,000

Charter One made a \$1 million loan to LISC, a CDFI.

Chevy Chase Bank, F.S.B.
Chevy Chase, MD
Assets: \$10.2 billion
Award: \$195,255

Chevy Chase increased its consumer, single-family mortgage and business lending in distressed communities. It also provided financial support to CityFirst Bank, a CDFI in Washington, DC.

Citibank, FSB
New York, NY
Assets: \$25 billion
Award: \$815,728

Citibank increased its multifamily lending in distressed communities.

Downey Saving and Loan Association
Newport Beach, CA
Assets: \$9.9 billion
Award: \$1,125

Downey Savings provided financial support to local CDFIs and also provided a \$7,500 grant to Inglewood NHS.

Dryades Savings Bank, FSB
New Orleans, LA
Assets: 99.5 million
Award: \$583,406

Dryades, itself a CDFI, increased its consumer, commercial real estate and business loans in distressed communities. It also made deposits of \$100,000 each into ten other CDFIs.

Enterprise Federal Savings Bank
Largo, MD
Assets: \$45 million
Award: \$11,000

Enterprise made a deposit in CityFirst Bank, a CDFI in Washington, DC.

First Community Bank, FSB
Keokuk, IA
Assets: \$100 million
Award: \$11,000

First Community Bank made a below-market rate deposit in Louisville Community Development Bank, a CDFI.

Hawthorne Savings Bank
El Segundo, CA
Assets: \$1.6 billion
Award: \$1,192,826

Hawthorne Savings Bank increased its consumer, multi-family housing, and commercial real estate lending in distressed communities. In addition, Hawthorne made qualifying grants to three housing organizations.

Household Bank, FSB
Wood Dale, IL
Assets: \$9.8 billion
Award: \$25,500

Household Bank provided a combination of qualifying loans and grants to Neighborhood Lending Services and Neighborhood Housing Services of Chicago. Both are CDFIs.

Illinois Service Federal Savings and Loan Association
Chicago, IL
Assets: \$114 million
Award: \$16,308

Illinois Service Federal increased its qualifying services and consumer, single-family housing, multifamily housing, and commercial real estate lending in distressed communities.

Independence Federal Savings Bank
Washington, DC
Assets \$262 million
Award: \$11,000

Independence made a deposit into CityFirst Bank of Washington, DC. CityFirst is a CDFI.

Jackson Federal Bank
San Bernadino, CA
Assets: \$337.7 million
Award: \$250,000

Jackson Federal provided financial support to Clearinghouse Community Development Financial Institution, a certified CDFI.

Liberty Federal Bank
Hinsdale, IL
Assets: \$1.9 billion
Award: \$107,426

Liberty Federal supported two CDFIs, NHS of Chicago and Community Investment Corporation. They provided a grant to NHS and are participating in an apartment-lending program with Community Investment Corporation.

Mid America Bank, FSB
Clarendon Hills, IL
Assets: \$4.8 billion
Award: \$82,500

Mid America Bank participated in a loan pool with Neighborhood Lending Services of Chicago, a CDFI.

MidFirst Bank
Oklahoma City, OK
Assets: \$5.6 billion
Award: \$135,000

MidFirst made a \$900,000 equity-like loan to the Oklahoma MetaFund, a CDFI.

Park Federal Savings Bank
Chicago, IL
Assets: \$213 million
Award: \$218,979

Park Federal Savings Bank provided financial support in the form of loans and grants to Neighborhood Lending Services and Neighborhood Housing Services of Chicago. Both are CDFIs.

Plantation Federal Saving Bank
Pawley's Island, SC
Assets: \$148.7 million
Award: \$44,682

Plantation Federal Savings Bank increased its consumer, commercial real estate and business lending activities in distressed communities.

PNC Bank, FSB
Philadelphia, PA
Assets: \$1.4 billion
Award: \$28,250

PNC Bank, FSB made a qualifying combination of grants and loans to National Community Capital Association, a CDFI.

Universal Federal Savings Bank
Chicago, IL
Assets: \$45 million
Award: \$23,500

Universal Federal provided financial support to ACCION of Chicago, Neighborhood and Family Investment Fund and First Bank of the Americas. All three entities are CDFIs.

Washington Mutual Bank
Stockton, CA
Assets: \$149.1 billion
Award: \$3,289,000

Washington Mutual made a combination of qualifying deposits, grants loans and investments in many CDFIs located in their various local communities throughout the country. The CDFIs receiving support included: Cascadia Revolving Loan Fund, Clearinghouse CDFI, Community Financial Resources Center Corporation of Economic Development of Harris County, Enterprise Foundation, Florida Community Loan Fund, Impact Capital, Low Income Housing Fund, NHS of Boise, NHS of Englewood, NHS/NLS, California Community Loan fund and the Pasadena Development Corporation, and NCIF.

Western Financial Bank
Irvine, CA
Assets: \$5.1 billion
Award: \$248,670

Western Financial provided financial support to Clearinghouse CDFI, Inglewood HHS, Lenders for Community Development and NLS, all are certified CDFIs.

For more information about the BEA Program, the 2000 awards or to obtain a list of certified Community Development Financial Institutions (CDFIs), contact the Community Affairs department in your region, or log onto the CDFI's website at: <http://www.treas.gov/cdfi/>

Coalitions Expand Individual Development Account Programs

Over the past four years, Individual Development Account (IDA) programs have grown rapidly. IDAs are matched savings accounts designed to help low-income families accumulate money for education or job training, down payment and closing costs on a home, start-up capital for a small business, and in some cases, to purchase or repair a car or pay for medical expenses. According to information recently published by the Corporation for Enterprise Development (CFED), there are currently 250 IDA programs in effect around the country managing over 8,000 accounts.

A number of financial institutions have expressed interest in getting involved with an IDA program. These articles highlight some of the successful IDA initiatives around the country involving state and local governments, financial institutions, community development organizations and

private/public partnerships to establish Individual Development Accounts (IDAs) in their local communities.

IDA programs may provide an opportunity for institutions to expand services to low-income communities and develop new banking relationships. Financial institutions can and do participate in these partnerships in a number of ways, some of which are addressed in the articles that follow.

Financial institutions that would like to participate in an IDA program may contact the programs or individuals listed in the following articles directly. The Corporation for Enterprise Development (CFED) in Washington, DC at (202) 408-9788, can direct you to an IDA program in your area, or you may call the Community Affairs Liaison in your region for information on other IDA programs or guidance on CRA considerations.

Illinois: Financial Links for Low-Income People Coalition and Illinois Department of Human Services partner to expand financial education and asset-building opportunities

By Dory Rand, Staff Attorney, National Center on Poverty Law

A diverse coalition called Financial Links for Low-Income People (FLLIP) has recently developed a public/private partnership with the Illinois Department of Human

Services (IDHS) to expand financial education and asset-building opportunities for welfare recipients and low-income workers in Illinois.

How did the FLLIP/IDHS project come together?

FLLIP includes banks, thrifts, community advocates, government agencies, bank regulators, Individual Development Account programs administrators, job training providers, adult educators from the University of Illinois Extension, insurance industry representatives, and others. Dory Rand, staff attorney with the National Center on Poverty Law, coordinates the coalition.

The FLLIP coalition grew out of a meeting convened by the Governor's Commission on the Status of Women in Illinois, welfare to work committee, in September 1999. In its year-end report, the Commission endorsed FLLIP's November

1999 recommendation that IDHS should incorporate financial education and asset building opportunities in its welfare to work programs.

FLLIP representatives met with IDHS Director of Transitional Services Bill Holland and others to propose a public/private partnership to conduct a financial education and asset building pilot program in four sites and started pursuing private foundation funding in the spring of 2000. By August 2000, two foundations had provided grants and IDHS allocated about \$500,000 in unspent FY 2000 TANF funds for the project. IDHS awarded a grant to the National Center on Poverty Law as general contractor and fiscal agent for the project for 2 years.

Financial Education

Participants in the Temporary Assistance for Needy Families (TANF) cash assistance program administered by IDHS are required to complete 30 hours a week in approved work activities such as job training, education, or community service. Soon TANF participants will have the option of fulfilling part of their work activity requirement by taking a financial education course.

The curriculum will include goal-setting and budgeting, credit and debt, consumer issues and protections, public assistance issues related to asset accumulation and protection, financial services and investments, tax issues such as the Earned Income Tax Credit, employee benefits and retirement savings. IDHS caseworkers will help to recruit participants and outside trainers will use interactive methods to teach the course. The financial education course is not limited to TANF recipients but is available to all IDHS recipients.

Rollout of the course through IDHS local offices is scheduled to begin in early 2001. Eventually the course will be available on a statewide basis.

Individual Development Accounts

Welfare participants who complete the financial education course through IDHS and other low-income workers in selected sites throughout Illinois will have the opportunity to put their skills to work by opening an Individual Development Account (IDA).

IDA account holders have their savings from earned income matched by state and private funds. For each dollar saved by a participant, the state matches one dollar and private funds match one dollar. Over two years, a participant who saves \$1,000 would have a total of \$3,000 to use toward his or her goal.

Participants will be able to use their IDA savings for approved goals such as postsecondary education, start-up of a small business, or purchase of a home. Because many welfare recipients, job seekers and low-income workers face transportation barriers, participants also will have the option to use savings for purchase or repair of a car or in connection with a car loan.

Why is a financial education/asset-building program for low-income people needed?

A wealth of information on financial planning is available on the Internet and through other sources but most of this information is targeted to higher-income, better-educated audiences that already are familiar with mainstream financial products and services. Meanwhile millions of low-income persons operate outside the financial mainstream.

There are a number of reasons why financial education and asset-building opportunities targeted to this population are needed.

Most welfare recipients receive their monthly cash benefits through electronic benefit transfer to debit cards (called Illinois Link in Illinois). Although direct deposit of cash benefits into a bank account is available, few recipients take advantage of that option. Recipients that do not have accounts must pay the automated teller machine (ATM) owners' surcharges for withdrawal of their funds. Welfare recipients and low-income workers who learn to open and use bank accounts could save hundreds of dollars a year compared to the high costs of transacting business at currency exchanges or check cashers.

Parents need good financial skills to pass on to their children. People who do not have accounts with mainstream financial institutions are less likely to save for short-term emergencies and long-term financial goals. In situations where a middle-class person might use a credit card for an emergency, a person without a credit card may resort to a high-cost payday loan with multiple rollovers.

Employees' financial problems can lead to less productivity at work in the short run. Workers' lack of financial skills also hurts them in the long run as it keeps them from taking advantage of employer-sponsored investment and retirement options.

Development of financial skills and habits can help lower-income people build assets that will not only improve an individual's standard of living but also contribute to a higher quality of life for their communities by helping them to buy or repair a home or start a business that provides jobs.

What is the role of a financial institution?

Financial institutions can and are supporting FLLIP in a variety of ways:

- by opening accounts for IDA participants;
- by providing enhancements to IDA account holders, such as ATM services, no cost checking and waiving minimum balance requirements;
- by matching funds for participants or providing operating support for community organizations managing IDA programs; and
- by assisting with the development of an IDA program or providing trainers for a financial literacy program for IDA participants.

These activities not only help the FLLIP/IDHS project, but also generate good will in the community, new customers for the financial institutions as well as favorable consideration under the Community Reinvestment Act's services and investments tests ■

For more information contact Dory Rand, National Center on Poverty Law, at (312) 263-3830 ext. 228 or doryrand@povertylaw.org.

New Jersey: Tri-County's Road to Building Wealth

For more than 20 years Tri-County Community Action Agency has served southern New Jersey by providing a range of services to residents in Cumberland, Salem and Gloucester counties, including the recent addition of an IDA program, which starts participating residents on the road to building wealth.

Tri-County, in existence since 1972, has grown from helping 60 individuals and families to now serving over 400 individuals and families per year, with a budget of approximately \$28 million, funding over 40 programs. Part of this growth can be attributed to the organization becoming a Community Action Agency in 1987 and its ability to "identify community needs and then match resources," said Mike Cudemo, communications director for the agency.

A year ago, the organization identified the need for wealth creation strategies in counties that it served. Although Tri-County serves three main counties (and others based on the program) it seized the opportunity to partner with the Office of Employment and Training (OET) to start up an IDA

program targeting welfare to work individuals and families in Cumberland County only. The partnership program developed at that time provides a 1:1 match by Tri-County followed by a 2:1 match by OET. The program calls for participants to save \$520 for one year. This amount is then matched by Tri-County, followed by a match of \$1040 by OET for a total savings at the end of the one-year program of \$2,080.

As with most IDA programs, the partnership program allowed savers to use funds for a home purchase, an automobile for job access, education for the individual or child, or for retirement, said Diane Cappellucci, director of economic development at Tri-County.

Today the program has 73 active participants, down from the 90 participants it began with last October. These participants have all attended the mandated economic literacy classes and reached the goal of saving \$520 over the past year, and are now eligible for the matching dollars provided by both Tri-County and OET. Both partners, however, have revisited the program parameters and have decided to extend the program for a year. Successful participants who have both completed classes and saved the required dollars will receive their matching dollars and will receive a second match, at the same ratios as the previous year, once they complete the second year.

Some hurdles the organization had to overcome as it implemented its program included using the software MIS IDA that is specifically targeted to tracking funds associated with an IDA account. There are some inefficiencies in the software itself that the makers of the software are attempting to rectify, such as its compatibility with bank software systems to allow for a seamless transfer of account information to the plan administrator. A second hurdle that other IDA

practitioners have mentioned and that Tri-County experienced was to have people realize what they would eventually accomplish at the completion of the program. "They require a lot of hand-holding," said Ms. Cappellucci.

Wealth creation among very low- and low- and moderate-income individuals in New Jersey is expected to get a boost later this year or early next year with the passage of legislation that will create a state sponsored Individual Savings Account program. Both houses of the state legislature are working on two versions of the bill that will provide approximately \$2 million to fund IDA programs that target welfare to work recipients.

Tri-County expects to establish a second IDA program, also in Cumberland County. Cumberland County has been designated as an Empowerment Zone by the Department of Housing and Urban Development (HUD) and this particular program will target individuals and families that live or work in the Empowerment Zone. This new program will be a 24-month program. Families must stay in the program for a minimum of 12 months. Tri-County will match up to \$2,000 in savings. Tri-County expects to receive funds from the empowerment zone but did not disclose the amount or its match ratio.

In addition, the organization has met with several banks to do separate IDA programs and is in the process of putting together proposals to establish such programs. At present Summit Bank of New Jersey (about to be acquired by Fleet Bank) is the organization's bank partner on its existing IDA program ■

General questions about Tri-County's program may be referred to Wendy Pelle Beer, OTS-Northeast Region, at (201) 413-7509.

Maine, North Carolina and Maryland: State IDA Coalitions Move IDAs Forward

Many states have implemented collaborative structures to help build IDA practice and policy in their local low-income communities. This article highlights the successes and challenges three states - Maine, North Carolina and Maryland - have had in increasing the impact of IDAs through coalition building.

Maine: A Network Under Construction

Maine passed IDA legislation in 1997 and is now creating the Family Development Account Coalition (FDAC), a group of 11 of the state's 13 IDA programs. The state legislation allows for a match ratio of 2:1, and account holders can use funds to buy a home, pay for education, start a business, purchase or repair a vehicle, or pay for medical care.

The organizations that make up the FDAC banded together when Maine passed a \$200,000 IDA tax credit in 1999. Penquis Community Action Project serves as the state program's fiscal agent, but all sites participate equally in the coalition. As a result, the organizations in the FDAC work together to raise funds, dedicate money to central staff, gather MIS-IDA data, and distribute monies. So far, the FDAC has raised \$328,000 through local matching funds, financial institutions, in-kind funding, and local government agencies. As the program develops, IDAs are expected to become a major tool for asset development in Maine.

North Carolina: A Comprehensive Approach

The IDA and Asset-Building Collaborative of North Carolina represents one of the most comprehensive collaborations in the field. Formed in 1996, the Collaborative helped to galvanize 18-20 programs with approximately 350 accounts. Recently, the Collaborative held two statewide IDA conferences, raised \$500,000 for home ownership IDAs, and received \$331,785 under the federally funded Assets for Independence Act (AFIA), which will be used to match 266 more accounts. Despite its successes, the North Carolina Collaborative recognizes that more work needs to be done. Currently IDAs are available in only 30 of the state's 100 counties.

At a recent retreat, members of the North Carolina Collaborative agreed local program operations need to be better integrated with state level activities, including marketing and outreach, advocacy, and fundraising. Other challenges ahead include addressing the economic disparity between the state's rural and urban areas, long-term funding, and the need to bring IDAs to scale in a largely rural state.

Maryland: Making Strides Despite Setbacks

Maryland has six small IDA programs in operation, but the Maryland Center for Community Development (MCCD), a statewide organization, is leading the effort to further IDAs in the state. In 1999, the MCCD held a workshop for potential funders, CAP agencies, community development corporations, bankers, and state and local government agencies to explore possible partnerships and the support for IDAs across the state. The MCCD then received funding from the Annie E. Casey foundation to promote IDAs in Maryland. Also in 1999, the MCCD

held a series of meetings that identified nine key issues that must be addressed to make IDAs available to all eligible individuals in Maryland, including funding, training, peer-to-peer networking, availability of technical assistance, consistency of evaluation and account holder education.

As a result of the meetings, the group proposed legislation that would have funded 600-1,000 accounts through 12 different programs. Despite a long, hard battle, the bill died on the last night of the state congressional session. The MCCD then appealed to funders and corporations, hoping to raise enough match money to apply for an AFIA grant, but did not succeed. Despite these temporary setbacks, the MCCD and its partners have made great strides toward advancing IDAs in Maryland. By the end of 2001, the MCCD hopes to have a total of 12 IDA sites in Maryland and plans to reintroduce IDA legislation to the state ■

The IDA Policy update on Maine, North Carolina and Maryland was reprinted with permission from the Corporation for Enterprise Development. For more information on IDAs or to access IDA tools and materials, visit CFED's website at www.cfed.org.

Housing Hope

The Service Enriched Housing Continuum

In the longest economic expansion on record and with the highest homeownership rate on record, one would think that housing in the United States would be plentiful, affordable and available to all. But such is not the case. Many Americans live on the streets or daily face the prospect of becoming homeless. According to the National Alliance to End Homelessness, on any given night, as many as 750,000 people are without homes. Today, the faces of the homeless are varied: displaced workers, the working poor, the struggling lower income family, victims of domestic abuse, disabled veterans, people suffering from AIDS, teen parents . . . the list goes on. The fastest growing segment of the homeless (36 percent) consists of families with children. One of the biggest hurdles facing the homeless is finding a stable, affordable environment in which to transition from the streets to self-sufficiency.

Affordable housing units have been steadily disappearing from the housing market due to increased rents, conversion to condominiums, expiration of federal rent subsidy contracts or demolition. In 1995, the number of low-income renters exceeded the number of low-income rental units by about 4.4 million. According to the National Low Income Housing Coalition, in every state more than the minimum wage is required to afford a one- or two-bedroom apartment at fair market rents established by HUD. In the median state, a minimum-wage worker must work 87 hours each week to afford a two-bedroom apartment at 30% of his or her income. And many homeless do work. A survey conducted by the U.S. Conference of Mayors in 1998, found that almost one in five homeless persons is employed. But employment does not guarantee rising out of poverty. A national study estimated that 46% of jobs with the most growth between 1994 and 2005 pay less than \$16,000 a year.

Although Snohomish County, in western Washington, has benefited from phenomenal regional growth in aerospace, high-tech, e-commerce, and biotech sectors, homelessness has steadily increased. Because of the low educational levels or lack of job skills of many homeless individuals, they are not able to take advantage of the growth in high paying jobs, which often require skilled workers. Development

pressures, from would-be homebuyers priced out of the Seattle and King County markets, have resulted in escalating property values and rents and a critical shortage of affordable housing. Housing in a price range affordable to low- and moderate-income families and individuals is tight. As of March 31, 2000, the median housing price was \$192,500. The average rent was \$732. In 1999, 14,038 people were turned away from emergency shelters in Snohomish County, a new record. The largest group turned away were women with children.

Housing Hope, a nonprofit housing corporation located in Everett, Washington, is determined to change all that. Serving low-income and homeless residents of Snohomish County, Housing Hope has developed a "service enriched housing continuum." It is unique in that it has successfully combined housing development, housing management and service provision. In effect, it does it all to help its clients regain self-sufficiency.

"It's exciting to see the administration of an agency living with the clients, in daily contact with them. It keeps them connected."

Currently, Housing Hope controls 170 units of housing in 11 projects which span the housing continuum through which its clients progress: emergency shelter apartments available for 30 days; transitional housing for up to two years, and affordable, permanent rental housing. Into the mix, they've added three shelters for homeless teen

parents. Housing Hope also manages a USDA Rural Development Self-Help Housing program in Snohomish County, for those ready to move to the homeownership level. But not everyone is ready to take the leap from renting to homeownership. The goal, according to Ed Petersen, Housing Hope's Executive Director, is to "help move people to the optimum level of housing once they are in the program."

The centerpiece of their efforts is Housing Hope Village, a complex of three buildings which house offices and program space, a childcare center and 19 units of housing. Thirteen of the units are transitional apartments and six are three bedroom affordable townhouses. The townhouses rent for \$400 a month, compared to \$900 - \$1,000 for a comparable unit in the area. The design of Housing Hope Village incorporated a vacant historic house that had been abandoned as the once scenic area evolved into a

commercial strip. In 1998, the Village was a finalist for the Fannie Mae Foundation's Maxwell Award of Excellence, which recognizes the best affordable housing projects in the nation, and in 1999, it received a HUD Best Practices Award for its integration of housing and services at a single location. The project also received the Monte Cristo Award from the City of Everett for creative development of a derelict property and neighborhood-friendly relationships.

The commitment of Housing Hope to its tenants is real. Fred Safstrom, President of Cascade Bank, a FSB headquartered in Everett, Washington, said, "It's exciting to see the administration of an agency living with the clients, in daily contact with them. It keeps them connected." Cascade Bank provided an \$800,000 permanent financing loan as part of a \$3.6 million overall project budget, which involved eleven different funding sources.

In conjunction with housing, Housing Hope tenants are provided a wide range of services, including case management. Employment services, a health project, and food supplies are available to the tenants in all eleven projects. Housing Hope operates Tomorrow's Hope Childcare, which includes a Kids Clinic, which is open to all families in emergency or transitional housing programs throughout the County. It is the only licensed childcare facility in Snohomish County that serves homeless children ages 0-5.

According to Petersen, case management is an essential, and often daunting, part of the process. "We expect a lot from them [the tenants]. We make sure they are following through on all aspects of their lives. Their problems can be very overwhelming, very depressing. A lot of coping mechanisms lead to avoidance. And to have somebody there every week checking up on you can be tough." About 10% of their clients don't make it because they don't respect the property or the neighbors or can't cope with program requirements. "We're looking for people who want a hand up, who will work for their future, and we help them," said Petersen. "But they've got to want it."

Housing Hope's most recent project is Oakes Avenue Commons Cooperative, a 20 unit multifamily housing facility in Everett, WA, that offers the residents a path to affordable housing. Designed as a cooperative, the Oakes Avenue Commons will be governed and ultimately owned by its residents. The project relied on funding from a wide range of public and private sources. Because of the cooperative design, bringing some of those funding sources on board was a challenge. According to Safstrom, "Housing Hope has been very creative in finding ways to meet housing needs. With Oakes, Ed [Petersen] had to do a lot of talking to get the city and the state to get them to accept the unique nature of a coop in a region where there are virtually none."

Housing Hope has a master lease with the nonprofit coop, which, in turn, leases units to its members. Members must go through a 25-hour housing training program and are responsible for the project's budget, maintenance, contracting, and cash flow. They will also select new members. In order to receive the maximum points for the tax credits, all units are committed to serve those making less than 30% of the median income. Cash flow will be tight and cannot support debt service. Because the project utilized tax credits, the Commons cannot be turned over to the coop for 15 years. It will remain affordable for fifty years.

In addition to several other projects in the City of Everett, Housing Hope has formed local action committees in four smaller communities throughout the county. Each committee works to identify the needs of the community and works on project design and fundraising. Housing Hope works with the committees to obtain grants and financing for projects, and manages completed projects and provides services to tenants.

Cascade Bank has been involved with Housing Hope for a number of years. In the past, the Chairman of the Board was a member of Housing Hope's Board. Now, Fred Safstrom serves in that position. During a recent endowment campaign, he chaired the committee for financial institutions, achieving commitments of \$200,000 from a dozen local banks and thrifts. Cascade has also made a number of long-term and short-term loans to assist in several of Housing Hope's developments. In addition, it has sponsored two successful AHP grant applications to the Federal Home Loan Bank of Seattle for the organization, which provided \$155,000 in funding, part for Housing Hope Village and part for the Oakes Avenue Commons Cooperative.

Cascade is also the lending partner on Housing Hope's USDA Rural Development Self-Help Sweat Equity program. Housing Hope became involved in the program three years ago and, to date has helped develop 115 units of single family housing in rural areas of the county. All applicants in the program must be low-income. Because it serves a high proportion of very low-income borrowers, Housing Hope's program is unique in the state of Washington. Seventy percent of the families in the program earn less than 50% of the median income and a significant portion have been between 30-40% of median.

According to Peterson, the program is only affordable because of the subsidized interest rate, down to 1 percent, provided by USDA. The program requires 1200 hours of labor, 30 hours a week for 10 weeks, from each household. Units are built in groups of up to eight and no one moves in until all units are finished. In prior years, the USDA

provided a 100% direct loan to participants. Because of funding limitations in its direct loan programs, USDA now looks for 20 percent leverage in each loan. Cascade provides, on average, \$20,000 at below market fixed rates and takes the first lien position. USDA provides a direct loan for the remainder of the costs and takes the second. Since 1998, Cascade has participated in 14 loans, totaling \$280,880.

Housing Hope had a true grass roots beginning. Started in 1987 by a committee of the local association of churches, it took 5 or 6 years for community leaders to begin to invest themselves in the project. Today, the commitment of the community to Housing Hope has been demonstrated in a real way. The organization recently completed a successful \$1 million dollar endowment campaign. While some commitments are multi-year, the majority of the funds are in the bank and working not only for the organization but also for the residents of the county. Income from the endowment fund will be used to support the emergency and transitional housing units, which can't support themselves from project cash flow. "We've learned to capitalize more reserves and to have a more blended income stream. To become less dependent on other funding sources," Petersen acknowledged. "We need to make sure to endow this organization for the future."

For more information on this project and on homelessness in America see the following web sites:

Housing Hope: <http://www.housinghope.org>

Cascade Bank: <http://www.cascadebank.com>

National Coalition for the Homeless: <http://nch.ari.net>

Beyond Shelter: <http://beyondshelter.org>

U.S. Department of Housing and Urban Development:
<http://www.hud.gov> and
<http://www.huduser.org/publications/homeless/homelessness>

Homes for the Homeless, Inc.:
<http://www.homesforthehomeless.com>

National Alliance to End Homelessness:
<http://www.nach.org>

The National Alliance to End Homelessness has partnered with the Fannie Mae Foundation to educate young people in the Washington, DC metro area about homelessness. As part of Housin' 2000, the site includes age-appropriate fact sheets designed to

provide teachers, parents and students with information and research ideas ■

For more information on this article, contact Marie Friederichs, Community Affairs Specialist, West Region, at (206) 553-5469; or Ed Petersen, Executive Director of Housing Hope at (425) 347-6556; or Fred Safstrom, President of Cascade Bank, at (425) 259-8528

Colonial Savings is Dedicated to Fort Worth

Colonial Savings, a \$629 million thrift located in Fort Worth, Texas, held a groundbreaking ceremony in August that launched the construction of two, new single-family residences in the Polytechnic Heights neighborhood of southeast Fort Worth. Jimmy Dubose, Chairman of Colonial, said that, "This is a great day for Colonial Savings and for this neighborhood. These houses represent our continued commitment to improving older neighborhoods and to make affordable home ownership an achievable goal for everyone." Colonial Savings will also provide the purchase money mortgage financing for the homebuyers.

Earlier this year, Colonial purchased two lots from the City of Fort Worth on the city's near eastside neighborhood known as Polytechnic Heights. This area has a racially mixed population with the majority of its residents falling at or below the area median income. The houses in this particular area are of a diverse quality. Some of the houses have been maintained, while others are in disrepair or have been boarded up.

Colonial plans to offer down payment assistance to qualifying buyers in this area. Colonial, in partnership with the City of Fort Worth, obtained approval for a \$10,000 affordable housing grant from the Federal Home Loan Bank of Dallas for the down payment support. The goal of Colonial Savings and the City of Fort Worth is to increase the number of home owners in the Polytechnic Heights neighborhood, which currently enjoys many favorable attributes.

The Polytechnic Heights is convenient to downtown and contains beautiful city parks with mature trees and greenery (something you don't often find in Dallas/Fort Worth). Texas Wesleyan University, founded in 1890, is a major asset and significant landmark in the community. Additionally, the city has recently initiated infrastructure improvements of many of the streets and sewers in the area ■

General questions about this article may be directed to Jason Sweat, OTS-Midwest Region, at (972) 281-2206.

Upcoming Events and Training Opportunities . . .

January 17-20: Fort Lauderdale, FL. American Economic Development Council's (AEDC) *Annual Community and Economic Development Summit*. Visit AEDC's website at www.aedc.org.

February 12-16: Atlanta, Georgia. Neighborhood Reinvestment Corporation's *National Training Institute*. Several new courses have been added to the Institute's training program, including an expanded curriculum for homebuyer education and foreclosure prevention counseling. For more information, call (800) 438-5547 or visit the web at www.nw.org/training/.

February 16-21: Washington, DC. The National Congress for Community Economic Development (NCCED) will host its *Washington Policy Conference* at the Omni Shoreham Hotel. The conference will focus on the latest policy developments related to funding for community economic development programs. For more information, visit NCCED's website at www.ncced.org/pages/conferences/.

March 3-7: Washington, DC. National Community Reinvestment Coalition (NCRC) will hold its *Annual National Conference* at the Omni Shoreham. Additional information is available on NCRC's website at www.ncrc.org.

March 12-14: Washington, DC. Mortgage Bankers Association of America's *Washington Leadership Conference* will be held at the Renaissance Hotel. For registration information, call Norman Edwards at (202) 557-2793 or register online at www.mbaa.org/conferences.

March 19-21: Washington, DC. The National Association of Housing & Redevelopment Officials (NAHRO) *Legislative Conference*. This conference will focus on current housing legislation and policy issues. Members of Congress will discuss their proposals for HUD program modifications. Visit NAHRO's website at www.nahro.org for more information.

March 26-27: Washington, DC. The National Low Income Housing Coalition (NLIHC) *Annual Conference* will be held at the Washington Plaza Hotel. Please call Barbara Bost at (202) 662-1530 for registration information or visit their website at www.nlihc.org.

Future editions of the Community Liaison will highlight thrift industry community development activities and related issues and regulatory initiatives. We welcome your comments, as well as information about your institution's community development activities. Please contact your regional OTS Community Affairs Liaison, or write to us at our email address: community@ots.treas.gov. We look forward to hearing from you.

The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services.